

# Glenmore Australian Equities Fund Monthly performance update April 2022

#### **Fund Performance**

Fund performance for April was +3.07% (after fees) versus the benchmark return of -0.81%. The Fund has delivered a total return of +204.25% or +25.40% p.a. (after fees) since inception in June 2017.

Period	Glenmore Fund	All Ords. Accum. Index
April 2022	+3.07%	-0.81%
1 Year	+37.29%	+10.12%
3 Year (p.a.)	+23.67%	+10.20%
Since Inception (p.a.)	+25.40%	+10.19%
Since inception (total)	+204.25%	+61.17%

# Fund commenced on 6 June 2017 Fund Returns are for Main Series Units

#### Stock commentary

Stanmore Resources (SMR) continued its strong performance in April, rising +36.6% in the month. The main driver of the outperformance was growing investor awareness of the stock's very cheap valuation metrics, once the earnings from the assets acquired from BHP (as discussed in the March newsletter) are factored into SMR's valuation. Whilst the acquisition was first announced in November 2021, due to a delayed settlement, the date that SMR actually took ownership was 3 May 2022, with the company now benefiting from the very strong cash generation from the two mines acquired from BHP. Whilst current coal prices are leading to very strong earnings, even at a conservative long term hard coking coal price of ~US\$150/t, we believe SMR can still generate EBITDA of A\$400m - \$500m, which compares favourably with its current market capitalisation of A\$2.2B.

**DGL Group (DGL)** increased +19.9%. During the month, DGL released a brief trading update, which showed the group continues to trade very positively. DGL guided for FY22 revenue of \$354m and EBITDA to be  $^{\sim}$ \$65m, both well ahead of market expectations. This was DGL's second upgrade to full year guidance, which points to continued strong earnings momentum across the group.

**Bowen Coking Coal (BCB)** rose +19.6%. During the month, BCB announced mining had commenced at its Bluff mine in

Queensland. Coal sales are on track to occur in the June quarter, with steady state production of 80-100k tonnes per month (~1mtpa on an annualised basis) targeted from July 2022.

COG Financial Services (COG) rose +18.4% in April. COG is a Sydney based financial services group, which is the largest asset finance broker in Australia (~18% market share of commercial assets financed). COG also owns 75% of Westlawn Finance, a well established lending/investment group, which potentially has strong synergies with COG's asset finance broking business. During the month, COG provided an earnings update for its 3Q FY22 results, which showed NPAT of \$5.8m, up +49% vs pcp, taking NPAT for FY22 to date to \$16.3m. Both segments of the group continue to perform very well, despite supply chain issues impacting the supply of new equipment. COG trades on an FY23 PE multiple of ~11x, which we view as attractive given its strong earnings growth prospects. We believe there is material scope for continued M&A in asset finance broking and lending growth from Westlawn.

Other positive contributors included Whitehaven Coal (WHC) +18.6%, Coronado Global Resources (CRN) +15.5%, and Uniti Group (UWL) +5.1%.

MA Financial (MAF) declined by -13.9% in the month. The company did not report any negative news during the month, and we believe the stock price decline was likely driven by MAF being sold off in line with many stocks in the funds management/wealth advisory sectors. At the time of writing, MAF recently held its Annual General Meeting, where it reiterated it was on track to grow CY22 EPS by 10%-20%.

Other detractors from performance included **Lifestyle Communities (LIC)** -11.0%, **Dicker Data (DDR)** -9.4%, and **Fiducian Group (FID)** -7.8%.

#### Market commentary

April was a mixed month for equity markets globally. The ASX materially outperformed its global peers again, with the ASX All Ordinaries Accumulation index falling -0.8%. Defensive sectors were the best performers (utilities, transport, and insurance). Technology was the worst performer on the ASX due to rising bond rates again impacting given its above average valuation metrics. A key M&A event during the month was the KKR (private equity firm) bidding for Ramsay



Healthcare with an all cash offer of \$88 per share, which saw the stock rise +25%.

In the US, the S&P 500 fell -8.8%, whilst the Nasdaq was down very materially by -13.3%. In the UK, the FTSE 100 was up slightly +0.4%. The catalyst for the falls in the US indices was signalling from the Federal Reserve (US central bank) that it would be more aggressive than previously thought with regards to interest rate hikes, which put downward pressure on stocks across all sectors to varying degrees. As has been the theme in recent months, technology stocks, particularly those with high valuation metrics, were sold off materially. In addition, there is uncertainty as to the impact on economic growth as central banks globally increase rates to deal with inflation.

Commodities were mixed in April. Iron ore and copper both fell -7%, gold declined -2%, whilst thermal coal was very strong +24%, and brent crude oil rose +2%. In the bond market, the Australian 10 year government bond yield continued to rise, finishing up +43bp at 3.6%. The US 10 year government bond yield rose +53bp to close at 2.85%. The A\$/US\$ exchange rate fell sharply by -6% to close at US\$0.71.

Thank you for your interest in the fund, as always, I would welcome any questions, and am available for those interested in discussing an investment.

## Monthly performance by calendar year (%)

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	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	ОСТ	NOV	DEC	YTD
2017						1.29	1.52	7.03	3.05	5.32	3.81	3.66	28.55
2018	3.47	-0.30	-2.80	0.04	4.68	4.01	1.35	5.94	-0.46	-8.70	-2.06	-3.26	0.97
2019	2.84	9.77	2.72	6.88	2.54	5.21	7.71	-0.76	2.60	-1.07	-1.65	-1.67	40.28
2020	3.05	-9.44	-29.34	16.63	9.64	1.43	1.41	11.52	0.54	1.66	10.37	3.96	13.43
2021	0.53	-1.61	1.34	7.05	1.00	6.15	3.21	10.38	0.74	0.65	0.51	4.13	39.07
2022	-7.62	-1.12	12.52	3.07									5.94



#### **FUND INFORMATION**

Name	Glenmore Australian Equities Fund	Fund Administrator	Apex Fund Services
Inception	6 June 2017	Fund Custodian	Certane Corporate Trust Pty Ltd
Structure	Wholesale Unit Trust	Fund Auditor	Pitcher Partners
Investor Eligibility	Wholesale or 'sophisticated' investors only	Fund Manager	Glenmore Asset Management
Subscription Frequency	Monthly	Management Fee	1.2%
Redemption Frequency	Monthly	Performance Fee	20.0%
Unit pricing	Monthly	Benchmark	S&P/ASX All Ordinaries Accumulation Index
Domicile	Australia	High water mark	Yes

### **Contact details**

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